

House Study Bill 105 - Introduced

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON SANDS)

A BILL FOR

1 An Act eliminating specified provisions relating to the
2 administration of the replacement tax for new cogeneration
3 facilities.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 437A.3, subsection 1, paragraph b, Code
2 2011, is amended by striking the paragraph.

3 Sec. 2. Section 437A.3, subsection 4, paragraph b, Code
4 2011, is amended by striking the paragraph.

5 Sec. 3. Section 437A.3, subsection 11, paragraph b,
6 subparagraphs (1) and (2), Code 2011, are amended to read as
7 follows:

8 (1) An electric power generating plant that is owned by
9 or leased to an electric company, electric cooperative, or
10 municipal utility, ~~or any other taxpayer~~, and that initially
11 generates electricity subject to replacement generation tax
12 under section 437A.6 on or after January 1, 2003.

13 (2) An electric power generating plant that is owned by
14 or leased to an electric company, electric cooperative, or
15 municipal utility, ~~or any other taxpayer~~, that initially
16 generated electricity subject to replacement generation tax
17 under section 437A.6 before January 1, 2003, and that is sold,
18 leased, or transferred, in full or in part, on or after January
19 1, 2003. If any portion of an electric power generating plant
20 is sold, the entire plant shall be treated as if it were a new
21 electric power generating plant.

22 Sec. 4. Section 437A.5, subsection 1, paragraph c,
23 unnumbered paragraph 3, Code 2011, is amended to read as
24 follows:

25 If the new electric power generating plant is part of a
26 cogeneration facility ~~or new cogeneration facility~~, the natural
27 gas delivery rate for that plant shall be the lesser of the
28 natural gas delivery rate established in this paragraph "c" or
29 the rate per therm of natural gas as in effect at the time of
30 the initial natural gas deliveries to the plant for the natural
31 gas competitive service area where the new electric power
32 generating plant is located.

33 Sec. 5. Section 437A.8, subsection 4, paragraph d,
34 unnumbered paragraph 2, Code 2011, is amended by striking the
35 unnumbered paragraph.

1 Sec. 6. Section 437A.14, subsection 4, paragraph b, Code
2 2011, is amended by striking the paragraph.

3 Sec. 7. Section 437A.15, subsection 7, Code 2011, is amended
4 by striking the subsection.

5 Sec. 8. Section 437A.18, Code 2011, is amended to read as
6 follows:

7 **437A.18 Tax imposition.**

8 An annual statewide property tax of three cents per one
9 thousand dollars of assessed value is imposed upon all property
10 described in ~~sections~~ section 437A.16 and ~~437A.16A~~ on the
11 assessment date of January 1.

12 Sec. 9. Section 437A.19, subsection 1, paragraph a,
13 subparagraph (8), Code 2011, is amended by striking the
14 subparagraph.

15 Sec. 10. Section 437A.19, subsection 2, paragraph e, Code
16 2011, is amended to read as follows:

17 e. In addition to reporting the assessed values as described
18 in this subsection, the director, on or before October 31 of
19 each assessment year, shall also report to the department of
20 management and to the auditor of each county the taxable value
21 of taxpayer property as of January 1 of such assessment year
22 for each local taxing district. For purposes of this chapter,
23 "*taxable value*" means the value for all property subject to
24 the replacement tax annually determined by the director, by
25 dividing the estimated annual replacement tax liability for
26 that property by the ~~current fiscal~~ prior year's consolidated
27 taxing district rate for the taxing district where that
28 property is located, then multiplying the quotient by one
29 thousand. A taxpayer who paid more than five hundred thousand
30 dollars in replacement tax in the previous tax year or who
31 believes the taxpayer's replacement tax liability will vary
32 more than ten percent from the previous tax year shall report
33 to the director by October 1 of the current calendar year, on
34 forms prescribed by the director, the estimated replacement tax
35 liability that will be attributable to all of the taxpayer's

1 property subject to replacement tax for the current tax
2 year. The department shall utilize the estimated replacement
3 tax liability as reported by the taxpayer or the taxpayer's
4 prior year's replacement tax amounts to estimate the current
5 tax year's taxable value for that property. Furthermore, a
6 taxpayer who has a new major addition of operating property
7 which is put into service for the first time in the current
8 calendar year shall report to the director by October 1 of the
9 current calendar year, or at the time the major addition is
10 put into service, whichever time is later, on forms prescribed
11 by the director, the cost of the major addition and, if not
12 previously reported, shall report the estimated replacement
13 taxes which that asset will generate in the current calendar
14 year. For the purposes of computing the taxable value of
15 property in a taxing district, the taxing district's share of
16 the estimated replacement tax liability shall be the taxing
17 district's percentage share of the "assessed value allocated
18 by property tax equivalent" multiplied by the total estimated
19 replacement tax. "Assessed value allocated by property tax
20 equivalent" shall be determined by dividing the taxpayer's
21 current year assessed valuation in a taxing district by one
22 thousand, and then multiplying by the prior year's consolidated
23 tax rate.

24 Sec. 11. REPEAL. Section 437A.16A, Code 2011, is repealed.

25 EXPLANATION

26 This bill deletes provisions relating to the imposition of a
27 replacement tax on electricity and natural gas providers which
28 were enacted during the 2010 Legislative Session in Senate File
29 2373.

30 The deleted provisions include adding a definition of a new
31 cogeneration facility and providing a means for allocating
32 the assessed value of a new cogeneration facility between
33 property of the facility that is subject to local assessment
34 and the property of the facility that is subject to the
35 replacement tax, and to exempt from property tax the value

1 of the property subject to the replacement tax by applying a
2 credit representing the value of such exempt property against
3 the total value of the facility. The deleted provisions also
4 include provisions relating to determination of the natural
5 gas delivery rate applicable to new cogeneration facilities,
6 and provisions in Code section 437A.18 applying the statewide
7 property tax to property of a new cogeneration facility.

8 Additionally, the bill deletes a provision in the definition
9 of an electric power generating plant that such a plant may be
10 owned by or leased to "any other taxpayer", in addition to an
11 electric company, electric cooperative, or municipal utility.
12 Also deleted is a mechanism for refunding or crediting excess
13 replacement taxes, penalties, and interest paid into the
14 property tax relief fund established in Code section 426B.1 by
15 a new electric power generating plant, a provision applying
16 existing provisions regarding claims for refunds and credits
17 contained in Code section 437A.14 and stating that the director
18 of revenue shall have sole discretion regarding whether a
19 refund will be paid versus a credit granted.

20 Further, the bill deletes outdated provisions establishing
21 a utility replacement tax task force, a requirement that
22 taxpayers report to the director any gas or transmission
23 property that had been acquired at a cost of more than \$1
24 million and disposed of in the preceding calendar year, and
25 a provision, with reference to determining and reporting the
26 taxable value of property subject to the replacement tax,
27 that calculations will utilize the current fiscal year's
28 consolidated taxing district rate for the taxing district where
29 the property is located, rather than the prior fiscal year's
30 rate.